

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
Land Division
Honolulu, Hawaii 96813

September 12, 2008

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

HAWAII

Consent to Assign Sublease K-5, under General Lease No. S-5619, Natural Energy Laboratory of Hawaii, Lessee, by Uwajima Fisheries, Inc., Sublessee/Assignor, to King Ocean Farm, Inc., Assignee, Kalaoa 1st-4th and Ooma 1st, North Kona, Hawaii, Tax Map Key: 3rd/ 7-3-43: portion of 42.

APPLICANT:

Natural Energy Laboratory of Hawaii Authority (NELHA), Lessee, on behalf of Uwajima Fisheries, Inc. (UFI), as Sublessee/Assignor, to King Ocean Farm, Inc. (KOFI), a Hawaii corporation, whose business and mailing address is 999 Bishop Street, Suite 2600, Honolulu, Hawaii 96813, as Assignee.

LEGAL REFERENCE:

Section 171-36(a)(5), Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands of the NELHA site situated at Kalaoa 1st-4th and Ooma 1st, North Kona, Hawaii, identified by Tax Map Key: 3rd/ 7-3-43: portion of 42, as shown on the attached map labeled Exhibit A.

AREA:

3.989 acres, more or less. Consisting of a net. 3.967 acres of usable/improved land and a .0217-acre (947 square foot) perpetual historical preservation easement. No rent is being charged for the preservation easement.

TRUST LAND STATUS:

Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: NO

LEASE CHARACTER OF USE:

To develop, maintain, and operate an ocean-related high technology industrial park in accordance with Chapter 206M and/or Chapter 227D, Hawaii Revised Statutes, and to allow for ancillary and accessory uses that will assist the development to become self-sufficient.

SUBLEASE CHARACTER OF USE:

The cultivation of various fin fish species, including, but not limited to the Japanese Flounder, also known as "Hirame" (*Paralichthys olivaceus*), Moi or Threadfin (*Polydactylus sexfilis*), Awa or Milkfish (*Chanos chanos*), Kahala or Amberjack "Kenpachi" (*Seriola dumerilli*), and a variety of seaweed "ogo" for commercial sale purposes.

TERM OF LEASE:

45 years, commencing on July 3, 2001 and expiring on July 2, 2046. First rental reopening is scheduled for July 3, 2011.

TERM OF SUBLEASE:

25-years, commencing on January 1, 1998 and expiring on December 31, 2023. Last rental reopening occurred on June 1, 2008; next rental reopening is scheduled for June 1, 2013.

ANNUAL RENTAL:

Annual rental shall be fifty percent (50%) of the net operating income (NOI). NOI is the actual net income remaining after all adjusted operating expenses are deducted from the effective gross income, including a reserve for replacement and for major repairs not covered in the operating budget. This does not include federal funds and grants.

SUBLEASE ANNUAL RENTAL:

Fixed Annual Rental Fee: \$23,802.00 Fixed for five years at Five Hundred Dollars (\$500) per acre per month. Payable in advance, in twelve equal monthly installments of \$1,983.50 on the first day of each and every month. OR

Percentage Rent: Percentage Rent shall be two percent (2%) of gross sales. Percentage Rent shall be paid only to the extent such Percentage Rent is greater than the fixed monthly rental fee.

CONSIDERATION:

\$460,950.00.

RECOMMENDED PREMIUM:

None.

DCCA VERIFICATION:

ASSIGNOR:

Place of business registration confirmed:	YES <u>x</u>	NO
Registered business name confirmed:	YES <u>x</u>	NO
Good standing confirmed:	YES <u>x</u>	NO

ASSIGNEE:

Place of business registration confirmed:	YES <u>x</u>	NO
Registered business name confirmed:	YES <u>x</u>	NO
Good standing confirmed:	YES <u>x</u>	NO

REMARKS:

The Natural Energy Laboratory of Hawaii Authority (NELHA) a body corporate and politic and an instrumentality and agency of the State of Hawai'i, is administratively attached to the Department of Business, Economic Development & Tourism (DBEDT). Under General Lease No. S-5619, NELHA operates an 870-acre ocean science and technology park at Keahole Point in Kailua-Kona, Hawaii.

At its meeting of November 20, 1998, Item D-4, the Board of Land and Natural Resources, approved consent to Sublease K-5 of General Lease No. S-4717, NELHA, Lessee/Sublessor, to Uwajima Fisheries Inc., Sublessee. Sublease K-5, having a 25-year term, commenced on January 1, 1998 for the operation of a land-based aquaculture facility on 3.989 acres.

On May 27, 2008, KOFI was granted approval-in-concept by the NELHA Board for its proposal to acquire Sublease K-5 from UFI for its on-going aquaculture program to cultivate Hiramé, Moi, Awa, Kahala, and Ogo for commercial purposes. The NELHA Board determined that KOFI appeared to have the expertise, financial backing and combined experience to be an acceptable and qualified commercial tenant.

By letter dated July 11, 2008, NELHA, on behalf of UFI, is requesting consent to the assignment of Sublease K-5 to KOFI, as the principals of UFI recently sold its business.

NELHA staff reports that the Sublessee, Uwajima Fisheries, Inc., is in compliance with all lease terms and conditions of Sublease K-5, and is current on its annual rent payments.

King Ocean Farm, Inc. has not had a lease, permit, easement or other disposition of State lands terminated within the last five years due to non-compliance with such terms and conditions.


No external agency or community reviews were applicable to this assignment of sublease as there will be no change in use.

RECOMMENDATION:

That the Board consent to the assignment of Sublease K-5 under General Lease No. S-5619 from Uwajima Fisheries, Inc., as Assignor, to King Ocean Farm, Inc., as Assignee, subject to the following:

1. The standard terms and conditions of the most current consent to assignment form, as may be amended from time to time;
2. Review and approval by the Department of the Attorney General; and
3. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,



Wesley T. Matsunaga
Land Agent

APPROVED FOR SUBMITTAL:

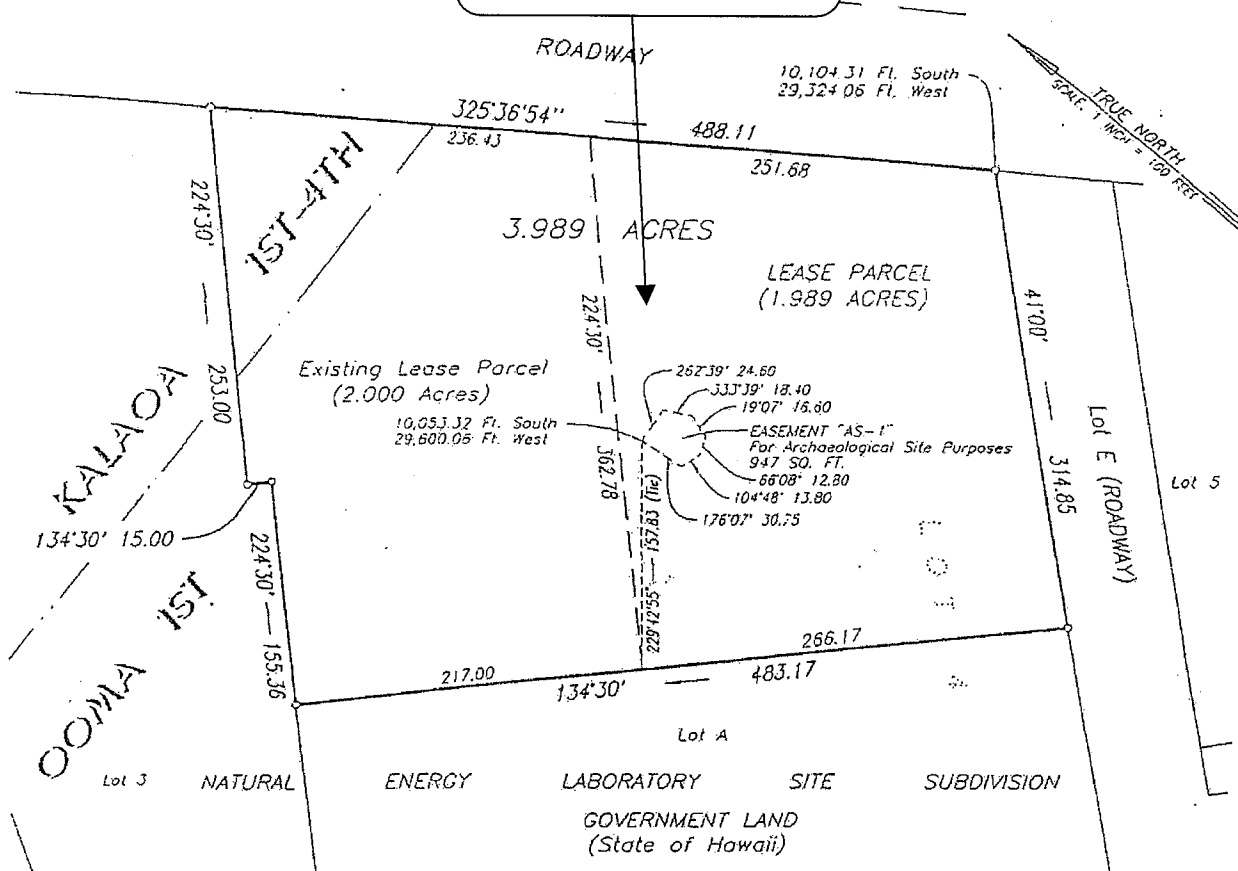


Laura H. Thielen, Chairperson





SUBJECT



MAP SHOWING
LEASE PARCEL
AND EASEMENT "AS-1"
FOR ARCHAEOLOGICAL SITE PURPOSES

Being Portions of Former Lot 4
of the Natural Energy Laboratory Site Subdivision
and Government Land (State of Hawaii)

At Ooma 1st, North Kona
Island and County of Hawaii, State of Hawaii

NOTES:

1. Azimuths and coordinates are referred to Government Survey Triangulation Station "AKAHIPU".
2. This map was prepared from compiled record boundary information and from an actual survey on the ground done on September 26, 2000.

This map was prepared by me or LARD
under my direct supervision
CHRISTAL T. YAMASAKI
LICENSED PROFESSIONAL LAND SURVEYOR
State of Hawaii Certificate Number LS-4331

TAX MAP KEY: 7-3-43.POR 42 (3RD DIVISION)

FIELD BOOK NO.: 1104

PROJECT NO.: 13448.1
DATE: October 9, 2000



WES THOMAS ASSOCIATES

-- Land Surveyors --
75-5749 Kalawa Street
Kailua-Kona, Hawaii 96740-1817

TEL. (808) 329-2353 FAX (808) 329-5334 EMAIL wta@ihawaii.net

October 9, 2000 p:\actva\13448.1\134481.dgn

EXHIBIT A